

Mr Lewis Rangott
Executive Director, Corruption Prevention
Independent Commission Against Corruption

Our Ref: EAP18/9362
Your Ref: 218/0158

By Email: lrangott@icac.nsw.gov.au,
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Dear Lewis

Plan of action to implement corruption prevention recommendations made in the Operation Tarlo report

Thank you for your correspondence of 19 September 2018 to Mr Michael Coutts-Trotter, Secretary of the Department of Family and Community Services (FACS) about recommendations arising out of the Independent Commission Against Corruption's (ICAC) report *Investigation into the conduct of the principle officer of two non-government Organisations and others* (Operation Tarlo)

The Secretary appreciates the importance of the ICAC's corruption prevention recommendations to FACS, and he has asked me to reply on his behalf.

In response to your request under Section 111E of the *Independent Commission Against Corruption Act 1988*, FACS submits the **enclosed** Action Plan. I acknowledge that we will be required to provide ICAC with a progress report within the next 12 months and that the above will be published on the ICAC's website.

FACS looks forward to continually working with the ICAC to strengthen our corruption detection and prevention activities, and welcomes your further comments, questions or suggestions regarding our action plan.

If you would like more information, please contact me on (02) 9716 2917 or via email at Eleri.Morgan-Thomas@facs.nsw.gov.au.

Yours sincerely



Eleri Morgan-Thomas
Executive Director, Partnerships

Date: 12 February 2019

Encl.

FACS plan of action in response to ICAC's Operation Tarlo recommendations for corruption prevention

Recommendation 9 – Audit Management Letters

Recommendation 9: That the NSW Department of Family and Community Services (FACS) considers requiring funded NGOs to provide it with copies of audit management letters from external auditors.

FACS will implement the intent of the recommendation in an alternative way.

FACS will request a copy of the audit management letter from an NGO when:

- their financials are assessed as high or very high risk under the *Annual Accountability Performance and Risk Assessment*; or
- when an audit of financials, contract management activities, or complaint investigations, give rise to serious concerns of financial wrongdoing and/or significant governance issues.

This will be implemented commencing with the *2018-19 Annual Accountability Performance and Risk Assessment*, and the *Contracting Complaints and Issues Procedures*, to be applied with reference to the organisational size and amount of funding.

FACS will implement the recommendation in this alternative way to ensure it does not impose undue administrative burden on low-risk NGOs.

Recommendation 10 – Outcome-Based KPIs

Recommendation 10 That FACS, in conjunction with relevant NGOs, develops additional outcomes-based KPIs that reflect the critical objectives of the services that it funds. Where possible, measurement of these KPIs should not be based solely on information self-reported by NGOs.

FACS will implement the recommendation as described in the report.

FACS is committed to continually improving its process for contract management and oversight.

Funded Contract Management Framework (FCM)

The majority of FACS' contracts for recurrent funding to NGOs are guided by the FACS Funded Contract Management (FCM) Framework. This includes *child and family programs, community building, homelessness and domestic and family violence*. The FCM outlines processes for managing funded contracts including: Performance monitoring and review, Payment review and variation, Record keeping, Contract changes and variations, Annual accountability, Issue and complaint management.

Regular *performance monitoring* is used to review progress and measure contract performance, allow service providers to showcase achievements and discuss them with their FACS contract managers, and identify performance issues as early as possible, so that FACS contract managers can work with service providers to determine and agree the actions required to resolve them.

The annual accountability process, which includes annual performance and risk assessment is used to assess overall performance and obtain a snapshot of the strength and viability of the funded services sector. It encompasses:

- Corporate-level accountability – which requires service providers to report financial health at the whole-of-organisation level, and declare compliance with their ongoing responsibilities and contractual obligations
- Contract-level accountability – which requires service providers to report income and expenditure against FACS funding, declare unspent funds, and certify they met the financial responsibilities and contractual obligations for the reported financial year

Annual performance and risk assessments – whereby FACS contract managers review the performance of service providers by completing an annual performance and risk assessment at the corporate and contract levels including timeliness and veracity of agreed performance reporting and achievement against the performance requirements set out in the contract.

Issues and Complaints Management includes Performance Improvement Plans (PIPs) and Service Development Plan (SDPs) they may be developed as part of regular performance monitoring or arising out of the annual accountability process. These formal plans may be developed and agreed to address identified performance issues or service development priorities.

Recent Developments

FACS recently negotiated contracts for the Permanency Support Program and Intensive Therapeutic Care include performance based performance measures that are linked to incentives and abatements. Contract managers meet with the service providers every month for the oversight and verification of progress against these measures.

Existing Initiatives

FACS Funded Service Performance Reporting Framework is currently under development which aims to:

- enable accurate and accessible reports – useful to program and contract managers and service providers to facilitate performance improvement
- provide whole of system view of performance - comparable over time, fit to support FACS' stewardship functions, accountability requirements and Districts with local planning
- guide consistency in central FACS policy and practice
- integrate with FACS Performance Management Framework (FACSIAR) and Human Services Outcomes Framework.

This will allow a practical focus on how

- program specific outcomes/indicators are set up in contracts
- these will be reported and shared at a provider/FACS contract manager level
- these individual performance reports will be aggregated to inform program performance and design.

Planned Initiatives

Client outcome indicators will be introduced into new homelessness services contracts commencing in July 2020.

In early 2019, FACS will commence work to develop an agreed FACS Performance and Outcome Indicator Framework that is aligned across the human services sector. A white paper for discussion with the human services sector will be developed to assist the Framework's development. The objectives of this project are to ensure that:

- FACS has an indicator and measures framework, underlying dictionary and quality standards that guide the preparation of indicators relating to client outcomes and service delivery by FACS and NGOs.
- FACS commissioned services use consistent and agreed indicators and measures
- overarching governance arrangements for indicator development, review and monitoring are established.

For further consideration

To enhance the *FACS Funded Service Performance Reporting Framework*, FACS will assess the role that contract managers might have in auditing a random sample of organisations and assessing the delivery of advertised and reported service.

Recommendation 11 – Qualifications and Registrations

Recommendation 11: That FACS considers, as part of its ongoing review of its contract governance framework, implementing checks and (wherever possible) verifying qualifications, and continued registration (where necessary) of NGO employees.

FACS will implement the recommendation as described in the report.

Under its funding agreements, FACS requires that NGOs ensure that all personnel engaged in providing services are properly authorised, accredited, trained and experienced to provide the services. As part of good governance FACS expects NGOs to have a recruitment strategy and conduct appropriate due diligence for new hires. Recruitment strategy and policy check are a FACS focus area for the current Annual Accountability Process.

Notwithstanding this, it should be noted that:

- As part of its procurement process, FACS may conduct personnel assessments to ensure that NGO staff meet the personnel requirements.
- Some organisations contracted with FACS to provide out of home care to children and young people are accredited and regulated by the Office of the Children’s Guardian (OCG) who are responsible for undertaking compliance monitoring visits and verifying qualifications of relevant staff and carers. The OCG notifies FACS if there are any matters that threatens an organisation’s accreditation, equally FACS may raise quality concerns with the OCG to investigate.
- FACS conducts spot-checks and reviews of NGO employee’s registrations and qualifications when an organisation is subject to an audit or complaint investigation when relevant. A recent example of this was review of the organisations on the preferred suppliers list for Non-Placement Support Services have recently been reviewed and are now required to retain a list of their employees identifying their working-with-children-check and relevant qualifications and training. This list is subject to routine compliance reviews by FACS contract managers.

Planned Initiatives

FACS Specialist Homelessness Service Program (SHS) will implement the Australian Service Excellence Standards (ASES) quality framework owned by the South Australian Government Department of Human Services for all existing and new SHS service providers by 30 June 2023.

Recommendation 12 – Internal reporting or Whistleblowing

Recommendation 12: That FACS considers requiring funded NGOs to maintain an internal reporting or whistleblowing program that aligns to better practice (such as AS 8004-2003)

and/or guidance issued by the NSW Ombudsman. Among other things, this should facilitate reporting directly to FACS or a similar representative body.

FACS has implemented the recommendation as described in the report.

The *Funded Contract Management Framework* has been updated with *Contracting Issues and Complaint Procedures* that includes a suite of information documents. They contain an overview of requirements for an effective complaints mechanism including for a whistleblowing program that aligns with the requirements of this recommendation. These are available on the FACS webpage here:

<https://www.facs.nsw.gov.au/providers/funded/contract-management-framework>